

The Washington Merry-Go-Round

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McCone Made Big WW II Profits

By Dreis Pearson

With eight high officials fired from the Eisenhower Administration for conflicts of interest, it would seem mandatory that both Democrats and Republicans take a very close look at the conflict-of-interest issues before appointing and confirming new men.



John A. McCone, picked Pearson to replace Allen Dulles as head of the vitally important Central Intelligence Agency, has a record which is interesting on three counts:

1. He has made more money out of Uncle Sam on war contracts than perhaps any other man now working for the Government.

2. He has had a continuing close financial connection with the Henry J. Kaiser interests to which, as Under Secretary for Air, he gave a very interesting quickie contract for making Flying Boxcars (C-119) in the record time of 10 days, at a price five times greater than that of Kaiser's competitor, Fairchild.

3. He is shrewd and able, which accounts not only for his capacity for making money but for his agility in keeping high Government positions under both Republicans and Democrats.

When McCone came up for

confirmation as chairman of the Atomic Energy Commission on July 3, 1958, he let slip one interesting fact which puts him in a position of having a possible conflict of interest. Answering a question from Sen. Clinton Anderson (D.-N.M.), he said:

"Yes, I have some business relationships with Kaiser, inasmuch as a jointly owned company, 25 per cent of which is owned by Hendy (Joshua Hendy Corp. of which McCone owns all the stock) and 50 per cent is owned by Kaiser Aluminum, has a long-range contract to transport Kaiser's bauxite from Jamaica to Baton Rouge."

Yet when McCone was being investigated by the late Sen. Styles Bridges (R.-N.H.) and the Senate Armed Services subcommittee regarding his quickie C-119 contract to Kaiser, he claimed: "I have had no business relationship with Kaiser for years. . . . I have no benefit to gain from the affairs of his companies. The statement therefore that I was a link in Henry Kaiser's 'chain of influence' should be corrected."

Nonetheless, Senator Bridges showed that McCone went to amazing lengths to switch part of a C-119 Flying Boxcar contract away from Fairchild in Hagerstown, Md., to Kaiser at Willow Run, Mich., at a cost figure which turned out to be \$1,339,140 per plane as against Fairchild's \$260,000.

A third congressional hearing, Sept. 25, 1948, shows the

close financial kinship between McCone and Kaiser and why it was possible for Kaiser to barge in on McCone, have luncheon with him, and walk out with a multimillion-dollar contract as good as signed.

This third hearing probed the phenomenal war profits rolled up by both McCone and Kaiser when they were shipbuilding partners during the war, and when they parlayed an investment of \$100,000 into a profit of \$44,423,000.

McCone was then president of the California Shipbuilding Co., organized about one year before Pearl Harbor, when Todd Shipbuilding put up \$50,000, with another \$50,000 coming from the Betchel-McCone-Parsons Company, Henry Kaiser, and other companies associated with Kaiser and Betchel-McCone in building Boulder Dam.

Phenomenal War Profits

This combine made a killing. Uncle Sam needed ships, was willing to pay any price for them, and the Todd-McCone-Kaiser combine went to town, though later Todd got out and left the West Coast field to Kaiser and McCone.

According to the sworn statement of Ralph E. Casey of the General Accounting Office before the House Merchant Marine Committee in 1948:

"It would seem when profits from Government contracts paid from public funds soar to such astronomical heights in proportion to invested capital,

someone should come forward with a satisfactory explanation."

He went on to testify: "The California Shipbuilding Corp. was incorporated Jan. 6, 1941, and the entire cash investment represented by 1000 shares of capital stock at a par value of \$100 consisted of \$50,000 invested by the Todd shipyards and \$50,000 invested by 10 companies affiliated with Henry J. Kaiser.

"About a year later, on Feb. 19, 1942, a meeting was called for the purpose of declaring dividends out of the surplus. The minutes of the meeting said:

"After a full discussion upon motion duly made . . . it was unanimously resolved that a dividend of \$1000 per share be, and the same hereby is, declared."

This, concluded GAO executive Casey, was a profit of \$1,000,000 on the investment of \$100,000 within one year—all at the expense of Uncle Sam's shipbuilding business.

The profitable partnership between Kaiser and McCone continued until it rolled up a war profit of \$44,423,000 and, according to McCone's own testimony, the association is continuing in the form of a joint shipping line today. In between McCone, as Under Secretary of the Air Force, helped swing one of the juiciest airplane contracts in history to Henry Kaiser.

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